VENICE BEACH
PROPERTY OWNERS ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

CONTENTS

GTL, LLP Certified Public Accountants and Business Consultants
Member of American Institute of Certified Public Accountants and California Society of Public Accountants
Participant in Quality Review Program of AICPA

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
VENICE BEACH PROPERTY OWNERS ASSOCIATION
Venice, California

We have reviewed the accompanying financial statements of Venice Beach Property Owners Association (the "Association") which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

GTL, LLP

Certified Public Accountants
July 31, 2018

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VENICE BEACH PROPERTY OWNERS ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

Current Assets:		
Cash and Cash Equivalents	$	1,290,842
Restricted Certificate of Deposit		11,000
Total Assets	$	1,301,842

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities:		
Accounts Payable and Accrued Expenses	$	42,001
Assessments to be Refunded		1,262,557
Total Liabilities		1,304,558
Unrestricted Net Assets:		
Total Unrestricted Net Assets - (Deficit)		(2,716)
Total Liabilities and Net Assets	$	1,301,842

See accompanying independent accountants' review report and notes to financial statements.

VENICE BEACH PROPERTY OWNERS ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

Changes in Unrestricted Net Assets:	
Business Improvement District - Assessments	$ 468,946
Interest	775
	469,721
Operating Expenses:	
Clean and Safe	31,570
Identity and Special Projects	15,875
Administration and Management	369,434
City Collection Fees	55,558
	472,437
Decrease in Net Assets	(2,716)
Unrestricted Net Assets, Beginning of Year	-
Unrestricted Net Assets, End of Year - (Deficit)	$ (2,716)

See accompanying independent accountants' review report and notes to financial statements.

VENICE BEACH PROPERTY OWNERS ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities:	
Decrease in Net Assets	$ (2,716)
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	-
Changes in Current Assets and Current Liabilities:	
Accounts Payable and Accrued Expenses	42,001
Assessments to be Refunded	1,262,557
Net Cash Provided by Operating Activities	1,301,842
CASH FLOWS FROM INVESTING ACTIVITIES:	
Restricted Certificate of Deposit	(11,000)
Net Cash (Used-in) Investing Activities	(11,000)
Net Increase in Cash	1,290,842
Cash, Beginning of Year	-
Cash, End of Year	$ 1,290,842

See accompanying independent accountants' review report and notes to financial statements.

(1) NATURE OF OPERATIONS

Venice Beach Property Owners Association (the "Association") was formed in 2016 to manage the Venice Beach Business Improvement District ("BID" or the "District") to fund private security, streetscape improvements, maintenance, marketing, special events, parking solutions and program management for a defined commercial and industrial area within Venice Beach, a coastal community within the City of Los Angeles, California. The Program levies property taxes on the business owners in the designated areas. The taxes collected are used to fund the operations of the improvement project, which is managed by the District.

The BID was organized under the laws of the State of California as a business improvement district for an initial period of January 1, 2017 through December 31, 2021 through the adoption of the City of Los Angeles Ordinance No. 184556. On May 31, 2017, the City of Los Angeles approved a contract with the Association to operate the District for the period January 31, 2017 through December 31, 2021. As required by the management contract, the Association shall submit to the City Clerk a full disclosure financial statement covering the fiscal year with a Certified Public Accountant's review report, and shall be submitted to the City Clerk by May 1st of each calendar year.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Statement Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Includes assessment revenue, contributions, fundraising and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Association.

Temporarily Restricted Net Assets - Includes resources received that are temporarily restricted as to use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets. The Association had no temporarily restricted net assets.

Permanently Restricted Net Assets - Includes assets that have been restricted by the donor in perpetuity and cannot be expended by the Association. The Association had no permanently restricted net assets.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Cash and Cash Equivalents

The Association considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2017 the Association had $1,200,707 in money market funds which are considered cash equivalents.

(c) Income Taxes

The Association is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC"), and from federal and state income taxes under Section 501(a) of the IRC and corresponding sections of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2017.

The Association's federal income tax returns for tax years 2017 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2017 and beyond.

(d) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Concentration of Risk

Financial instruments which potentially subject the Association to a concentration of credit risk consist of cash and cash equivalents. The Association generally places its cash and cash equivalents with high credit quality financial institutions. At times, such cash may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000. Concentrations of credit risk with respect to assessments are limited since the Association derives the majority of its revenue from the County of Los Angeles real estate property tax assessments.

(3) UNRESTRICTED NET ASSETS

In accordance with the State of California Streets and Highways Code Section 36741, the Association is required to disclose the amount of any BID funds balance to be carried over from a previous year. The Association's Board of Directors may Board-Designate reserves to facilitate the spending policies established by the Board of Directors. The net assets and changes therein have been classified and are reported as follows:

2017-2021 BID Fund Balance - (Deficit)	$ (2,716)

(4) MAJOR REVENUE SOURCE

For the year ended December 31, 2017 about 99% of the Association's revenue was derived from the County of Los Angeles real estate property tax assessments amounting to $468,946 which generally include the annual assessments and collection of penalties on late received assessments and interest.

(5) COMMITMENTS

Effective February 27, 2018, the Association entered into a service agreement with Universal Protection Service, LP, DBA Allied Universal Security Services to provide security services to the District through December 31, 2021, with an automatic renewal for additional six months. Payments are due within 30 days of each weekly invoice. This service agreement may be terminated by the District upon 30 days notice.

Effective February 28, 2018, the Association entered into a service agreement with The Chrysalis Center to provide maintenance and cleaning services to the District through December 31, 2021. Payments are due within 30 days of each monthly invoice. This service agreement may be terminated by the District upon 30 days notice.

(5) COMMITMENTS (CONT'D)

Effective May 26, 2017 and amended on June 30, 2017, the Association entered into a service agreement with Devine Strategies to provide general management consulting services to the District on a month-to-month automatically renewable basis. Fees to be billed monthly and paid on a timely basis by the due date. This service agreement may be terminated by the District upon 30 days notice.

Effective March 1, 2018, the Association entered into an office lease agreement with Newcastle/Venice, LLC for office space through December 31, 2021, with a written notice option to extend through March 31, 2022. Monthly and annual rent payments are scheduled to be as follows:

Lease Period	Monthly Base Rent	Annual Base Rent
Mar18 to Feb19	$8,500	$ 102,000
Mar19 to Feb20	$8,750	105,000
Mar20 to Feb21	$9,000	108,000
Mar21 to Mar22	$9,250	111,000
		$ 426,000

(6) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Association paid to Venice Boardwalk Association (a related party nonprofit organization with common board members) an amount of $133,181 in reimbursement of expenses incurred for BID organizational, directors and officers and general liability insurance costs.

(7) LEGAL ASSERTIONS

Legal claims, generally incidental to the conduct of normal business, are pending or threatened against the District from time to time. While ultimate liability, if any, is presumably indeterminable, in the opinion of management, the ultimate resolutions will not have a materially adverse effect on the financial condition of the District.

(8) SUBSEQUENT EVENTS

The District has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 31, 2018, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

(9) RECENT ACCOUNITNG PRONOUNCEMENTS AFFECTING NONPROFITS

I. In May 2014, the Financial Accounting Standards Board (FASB) issued **Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers"**, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is not permitted. The standard permits the retrospective or cumulative effect transition method.

   In preparation for the new revenue recognition standard the FASB Not-for Profit Advisory Council (NAC) at its March 2016, September 2016 and December 2016 meetings extensively discussed how this will affect not-for-profits accounting for grants and contracts and recognized the present diversity in practice; the two main issues were: (1) distinguishing a contribution (nonreciprocal) transaction from an exchange transaction (contract with a customer), and (2) distinguishing between a condition and a restriction. The difference is important because contributions must follow Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, while exchanges must follow the revenue standard, which was codified as Topic 606, Revenue From Contracts With Customers.

II. In February 2016, the FASB issued **ASU 2016-02, Leases**, which requires lessees to recognize "right of use" assets and liabilities for all leases with terms of more than 12 months. The ASU requires additional quantitative and qualitative financial statement footnote disclosures about the leases, significant judgments made in accounting for those leases and amounts recognized in the financial statements about those leases. The guidance will be effective for fiscal years ending after December 15, 2019, with early adoption permitted.

III. In August 2016, the FASB issued **ASU 2016-14, Presentation of Financial Statements of Non-for-Profit Entities**, which decreases the number of net assets classes from three to two, *net assets with donor restrictions* and *net assets without donor restrictions.*

   The standard also:

   (a) Requires non-profits to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks.

   (b) Requires quantitative information that communicates the availability of the non-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year, to be presented on the face of the financial statement and/or in the notes;

   (c) Requires non-profits to include a statement of functional expenses, showing expenses by their natural classification.

   The guidance will be effective for fiscal years beginning after December 15, 2017, with early application of the standard permitted.